

TERM SHEET SUPPLEMENT
RELATED PROJECT - SANTA CLARA

This Term Sheet Supplement (this “**Supplement**”) is entered into as of July 1, 2014, by and between the City of Santa Clara, California (“**City**”), and Related Santa Clara, LLC (“**Developer**”). City and Developer are sometimes referred to herein, collectively, as the “**Parties**”. Capitalized terms used in this Supplement without definition shall have the meanings given to such terms in the Term Sheet (defined below).

RECITALS

A. As of February 11, 2014, the Parties entered into a Term Sheet (the “**Term Sheet**”) that sets forth the potential terms being negotiated in respect of the Project, based upon the provisions of an Exclusive Negotiating Rights Agreement entered into by the Parties in April, 2013 for the development of the Property (as amended and as it may be further amended from time to time, the “**ENA**”).

B. The area that is the subject of the Term Sheet (the “**Property**”) is described in the Term Sheet and comprises approximately 230 acres of land (APNs 097-01-039, 097-01-073, 104-03-036, 104-03-037, and 104-01-102) in the North of Bayshore Area, owned in fee by City. Most of the Property is the site of a former landfill (the “**Landfill**”). City intends to retain ownership of the Property and operational responsibility for the Landfill and intends to ground lease the Property to Developer under a series of ground leases (each, a “**Lease**” or “**Ground Lease**”), all as more particularly described in and subject to the terms of the Term Sheet and this Supplement.

C. In Section V. D. of the Term Sheet, the Parties set forth a procedure for arriving at a proposed rent structure for the Ground Leases. They have now completed that procedure with the assistance of outside consultants and have negotiated the rent structure and the related issues set forth below.

D. This Supplement was presented to City Council on July 1, 2014. At that hearing, City Council voted 7-0 to adopt Resolution No. 14-8157 endorsing this Supplement. A copy of Resolution No. 14-8157 is attached hereto as Exhibit E.

NOW, THEREFORE, the Parties have entered into this Supplement for the purposes of setting forth a proposed rent structure for the Ground Leases and supplementing other provisions of the Term Sheet, but with the understanding that this Supplement is subject to all of the terms and conditions of Section I of the Term Sheet.

I. TERMS USED IN THIS SUPPLEMENT

The following terms used in this Supplement have the meanings set forth below:

“**Allowed Square Footage**” means the number of square feet of improvements that is permitted by City ordinance and other regulatory bodies to be built on a Phase and that can economically be constructed and operated on any Phase in compliance with all laws, regulations and conditions of approval. This number shall be determined and documented on a one time

basis and shall be calculated after City's receipt, evaluation and approval (not to be unreasonably withheld) of Developer's analysis of such permitted development and the viability of the same, which Developer shall provide to City promptly following the completion and opening of Phase 2. The precise manner and detailed criteria for determining this number shall be set forth in the DDA.

"Force Majeure" means any delay suffered by Developer in performing an obligation, exercising a right or meeting a deadline under the Transaction Documents to the extent such delay is caused by any of the following: war; acts of terrorism; insurrection; strikes; lock-outs; riots; floods; earthquakes; fires; casualties; acts of God; acts of the public enemy; epidemics; quarantine restrictions; freight embargoes; lack of transportation; governmental restrictions or priority; environmental conditions existing or discovered on or affecting the Project site or any portion thereof, including those resulting from the investigation or remediation of such conditions; litigation that enjoins construction or other work on the Project site or any portion thereof, causes a lender to refuse to fund a loan or to accelerate payment on a loan, or would cause a reasonably prudent developer either to forbear from commencing construction or other work on the Project site or any Phase or portion thereof or to suspend construction or other work; disruptions in the public or private financing markets that delay or materially increase the cost of public or private financing for the Project; unusually severe weather; inability to secure necessary labor, materials or tools; delays of any contractor, subcontractor or supplier; moratorium, as defined in California Government Code Section 66452.6(f); litigation challenging City's or another regulatory body's approval of the Project (or any part thereof) or any of the Transaction Documents; the inability to obtain on a timely basis other approvals required for commencement and completion of the improvements contemplated for the Project (assuming that Developer is using commercially reasonable efforts to obtain such approvals); the occurrence of Landfill or other construction cost premiums that render development of a Parcel or portion thereof commercially uneconomic; and Materially Adverse Economic Conditions.

"Lease Year" means a 12 month period, with the first Lease Year for each Phase beginning with the Take Down of such Phase. However, the references to the 15th, 25th, 35th, 44th, 45th, 53rd, 61st, 70th, 80th and 90th Lease Years in Section III.B below mean for all Phases such Lease Years as calculated for Phase 1. By way of example, the ten percent (10%) Rent increase described in Section III.B.1 below shall occur with respect to all Phases as of the 15th, 25th, 35th, 53rd, 61st, 80th and 90th Lease Years for Phase 1.

"Materially Adverse Economic Conditions" means (i) with respect to office product, that the published C&W Silicon Valley Class A Office vacancy rate is 15% or higher; and (ii) with respect to retail product, that the comparable vacancy rate is more than 10% at Valley Fair Shopping Center and/or Stanford Shopping Center (except that if the vacancy rate is more than 10% at only one of those two centers because of circumstances unrelated to market forces, such as bankruptcy, foreclosure or substantial renovation, then such vacancy rate would be required at both centers).

"Minimum Initial Development" means Developer's obligation to build 700,000 square feet of improvements in Phase 1 consisting of (i) 500,000 square feet of retail and (ii) 200,000 square feet of office and/or a 350 key hotel.

“Minimum Retail Development” means Developer’s obligation to build 750,000 square feet of retail in Phases 1 and 2.

“Parcel” means each of the four (4) parcels shown on Exhibit A, as the same may be reconfigured as set forth below.

“Phase” means each of the seven (7) phases shown on Exhibit A, as the same may be reconfigured as set forth below.

“Premium Costs” means all costs that are incurred by Developer (1) to design and construct the infrastructure necessary to support the development of the Project under the final Infrastructure Master Plan, and that are required on account of the Landfill and the lack of customary infrastructure on the Site, net of reimbursements of such costs received by Developer from the owner of the Tasman Parcels or other area landowners; and (2) to acquire necessary rights and access to the Property. Exhibit C contains Developer’s current estimate of the Premium Costs and describes the categories into which such costs are likely to fall. City agrees that Developer’s estimate is informative and appears reasonable based upon available data, although the Parties agree that further refining of such estimate will need to be done in connection with finalizing the Transaction Documents. Following the opening for business of each Phase, Developer will provide City with the actual Premium Costs incurred in connection with each Phase (including “open book” backup of such costs), and the Transaction Documents will provide a procedure for the Parties to verify and finalize such actual Premium Costs within 12 months after the opening for business of such Phase. Regarding the Rent adjustment in the 45th and 70th Lease Years, “hard” Premium Costs shall be allocated among Phases based on the actual square footage of improvements constructed in such Phases, while “soft” Premium Costs (meaning third party costs to Developer of design and engineering with respect to such “hard” costs) shall be allocated among Phases in Developer’s reasonable judgment.

“Rent” means the annual rent payable to City, as landlord, by Developer, as tenant, under a Lease, which will be payable in equal monthly installments.

“Take Down” refers to City and Developer entering into a Lease with respect to a particular Phase on the terms set forth below.

II. PHASING, TAKE DOWNS, CONSTRUCTION COMMENCEMENT AND OPENING

A. Development of the Project is expected to take place over a total of seven (7) Phases on a total of four (4) Parcels. The current configuration and intended use of the Phases and Parcels are shown on Exhibit A, although the Parties acknowledge that the configuration and uses of all Phases may be changed by Developer over time (subject to compliance with applicable law), including to accommodate the leasing of space in the proposed improvements thereon. Upon any reconfiguration, the Rent shall be apportioned on an equitable basis among the Leases for the reconfigured Phases and Parcels.

B. Developer shall elect by notice to City from time to time to Take Down particular Phases no later than the times shown on Exhibit B, subject to Force Majeure with respect to Phase 1 only, and upon such election, City and Developer shall enter into a separate Lease for such Phase. The form of Lease will be attached as an exhibit to the DDA. Developer’s failure

to Take Down any Phase (other than Phase 1) on or before the last date for such Take Down shall not be a default by Developer but shall result in the loss by Developer of its right to Take Down such Phase. As shown on Exhibit B, Developer will have an aggregate take down period for Phases 1-7 totaling 19 years (measured from the Take Down of Phase 1). However, Developer will use commercially reasonable efforts to take down Phases 2-7 within 10 years from the Take Down of Phase 1. Developer will commence construction on each Phase when shown in Exhibit B subject to Force Majeure, with infrastructure to be built in accordance with the Infrastructure Master Plan. No later than six (6) months prior to the anticipated start of construction on a Phase, Developer will provide City with a construction schedule for such Phase.

C. Developer will build the Minimum Initial Development and will use its best efforts to build an additional 230,000 square feet (for a total of 930,000 square feet) of improvements in Phase 1. Developer will also build the Minimum Retail Development and will use its best efforts to build a total of 1.5 million square feet of retail, food and beverage and entertainment uses in Phases 1 and 2. The purpose of this paragraph D is to define "minimum project" as used in paragraph 3 of Section VII.D of the Term Sheet, and no other paragraphs of such Section VII.D are intended to be affected by this paragraph D.

III. RENT STRUCTURE

A. Rent and Rent Commencement. The initial Rent for each Phase is as follows: Phase 1 - \$1.5 million; Phase 2 - \$500,000; for each of Phases 3 through 5 - \$750,000; and for each of Phases 6 and 7 - \$875,000; provided, that to the extent that any of Phases 2-7 have not been taken down within ten (10) years after the Take Down of Phase 1, the initial Rent for each Phase not so taken down shall increase at the rate of three percent (3%) per annum from the end of such ten (10) year period until the date of Take Down of such Phase. The aggregate initial Rent for all seven (7) Phases is Six Million Dollars (\$6,000,000), subject to increase as provided in the foregoing sentence. Rent shall commence with respect to each Phase on the Take Down date for that Phase.

B. Rent Adjustments. Beginning with the first anniversary of the Take Down of a Phase and continuing through the 44th Lease Year, Rent will increase by three percent (3%) over the Rent for such Phase for the prior Lease Year. Beginning with the 46th Lease Year and continuing through the end of the Lease term for such Phase, Rent will increase by the lesser of (i) three percent (3%) over the Rent for the prior Lease Year for such Phase or (ii) the increase in the CPI (chosen by the Parties) since the beginning of the prior Lease Year. However, the foregoing shall not apply with respect to the Rent in the 15th, 25th, 35th, 45th, 53rd, 61st, 70th, 80th and 90th Lease Years, which Rent shall be adjusted as follows:

1. in the 15th, 25th, 35th, 53rd, 61st, 80th and 90th Lease Years, Rent will increase by ten percent (10%) over the Rent for the prior Lease Year;

2. in the 45th Lease Year, Rent will be an amount equal to the fair market value of the land underlying the Project (valued via independent appraisal as if the property were vacant land and were zoned the same as comparable use properties), less the actual Premium Costs allocated thereto, multiplied by six and one half percent

(6.5%). The manner in which the appraisal will be conducted, as well as instructions to the appraiser and an illustration of same if performed in 2014, will be set forth in the Transaction Documents. Notwithstanding the foregoing, in no event shall (a) the Rent for all seven (7) phases be less than \$30,000,000, adjusted as provided below; (b) the Rent for any particular Phase be reduced from the Rent for such Phase in the 44th Lease Year; or (c) the value of the land underlying any Phase of the Project, for purposes of the calculation of Rent in the 45th Lease Year, exceed \$200 times the Allowable Square Footage in such Phase;

3. in the 70th Lease Year, Rent will be an amount equal to the fair market value of the land underlying the Project (valued via independent appraisal as if the property were vacant land and were zoned the same as comparable use properties), less the actual Premium Costs allocated thereto, multiplied by six and one half percent (6.5%). The manner in which the appraisal will be conducted, as well as instructions to the appraiser and an illustration of same if performed in 2014, will be set forth in the Transaction Documents. Notwithstanding the foregoing, in no event shall (a) the Rent in the 70th Lease Year be less than ten percent (10%) more than the Rent for such Phase during the 69th Lease Year; or (b) notwithstanding that the Rent as of the 70th Lease Year cannot be less than ten percent (10%) more than the Rent for such Phase during the 69th Lease Year, the value of the land underlying any Phase, for purposes of the calculation of Rent in the 70th Lease Year, exceed \$350 times the Allowable Square Footage in such Phase.

In the event that Developer does not take down one or more Phases, the \$30,000,000 amount specified in clause 2. above shall be adjusted to be \$30,000,000 times a fraction, the numerator of which is the Allowed Square Footage in the Phases that were taken down by Developer and the denominator of which is the Allowed Square Footage in the Project.

Examples of the calculation of the Rent Adjustments are contained in Exhibit D.

IV. LEASE TERM; REVERSION OF IMPROVEMENTS

The Lease term for the Phase 1 Lease will be 99 years, beginning with the date of Take Down of such Phase. The Lease terms for all other Phases in Parcel 4 will begin on the dates of Take Down for such Phases and end at the expiration of the Phase 1 Lease, estimated to be December 31, 2115, assuming a January 1, 2016 Take Down of Phase 1. The Lease terms for subsequent Phases will commence on the dates of Take Down for such Phases and end on the later of the expiration of the Phase 1 Lease or 89 years after the dates of Take Down for such Phases. At the end of each Lease term (i) all improvements on the Phase will revert to City and (ii) the tenant shall have an obligation to remove the improvements only to the extent they are in poor condition and repair (to be further defined in the DDA).

V. FINANCING

As provided in the Term Sheet, Developer expects to obtain public and private financing for the Project, including CFD financing, and City will cooperate and participate to the extent

provided in the Term Sheet. Should new public financing mechanisms become available via legislation or otherwise after the completion of the Transaction Documents, the Parties shall discuss the opportunities those may offer for financing of the Project. The ownership of the Tasman parcels is expected to contribute its fair share toward reimbursement of Developer for its costs in designing and constructing commonly used infrastructure, including a development fee to Developer to be negotiated. The Parties understand that this reimbursement obligation will be negotiated among City, Developer and such ownership.

VI. MISCELLANEOUS

A. The Lease tenants (or an association formed by them) will be the "owner" of all non-major internal streets and public spaces in the Project. Adjacent streets (Stars/Stripes, Great America, Tasman) and major interior streets in Parcel 4 will be owned by City.

B. As provided in Section VII.P of the Term Sheet, City will continue to own and be responsible for maintenance and operation of the Landfill; provided, however, that the Transaction Documents will include a mechanism for Developer to reimburse City for maintenance and operation of the Landfill above and beyond current costs up to a total annual Landfill maintenance and operation cost of One Million dollars (\$1,000,000), with any amount over that being City's responsibility.

C. The reference in Section VII.B.5 of the Term Sheet to "City Center portion of the Project" means Phases 1 and 2.

D. Prior to commencement of construction on each Phase, Developer will advise City of its capital commitment to the Phase that is required by its lenders and/or partners for such Phase.

E. Developer desires to obtain an option to acquire the fee interest in the Property, from the platform up. City will consider granting such an option subject to reaching agreement on the timing and terms of the acquisition and determining that a true option may be granted to Developer. City shall also consider granting a fee interest in a portion of the property to a department store, hotel or office tenant that requires a fee interest as a condition to its participation in the Project.

F. As supplemented by this Supplement, the Term Sheet shall remain in full force and effect. In the event of an inconsistency between this Supplement and the Term Sheet, this Supplement shall control. This Supplement may be amended or supplemented only by an instrument in writing signed by both Parties and may be executed in counterparts. Each fully executed counterpart shall be deemed to be an original Supplement and all of such fully executed counterparts shall be deemed to be one and the same agreement.

By signing below, the Parties evidence their general agreement with the provisions of this Supplement and agree to use this Supplement and the Term Sheet as the framework for the good faith negotiations of binding definitive agreements. Any agreements resulting from negotiations would become effective only if and after such agreements have been considered and approved by City following compliance with all legally required procedures, and subject to the terms of Article I of the Term Sheet.

IN WITNESS WHEREOF, the undersigned have executed this Supplement as of _____, 2014.

DEVELOPER:

RELATED SANTA CLARA, LLC, a
Delaware limited liability company


By: 

Its: Stephen Eimer, VP
Authorized Signatory

CITY:

CITY OF SANTA CLARA, a municipal
corporation

ATTEST:

By: 

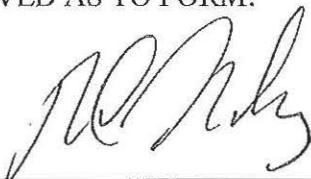
ROD DIRIDON, JR.
City Clerk

By: 

JULIO J. FUENTES
City Manager

1500 Warburton Avenue
Santa Clara, CA 95050
Telephone: (408) 615-2210
Fax Number: (408) 241-6771

APPROVED AS TO FORM:

By: 

RICHARD E. NOSKY, JR.
City Attorney

List of Exhibits to Supplement

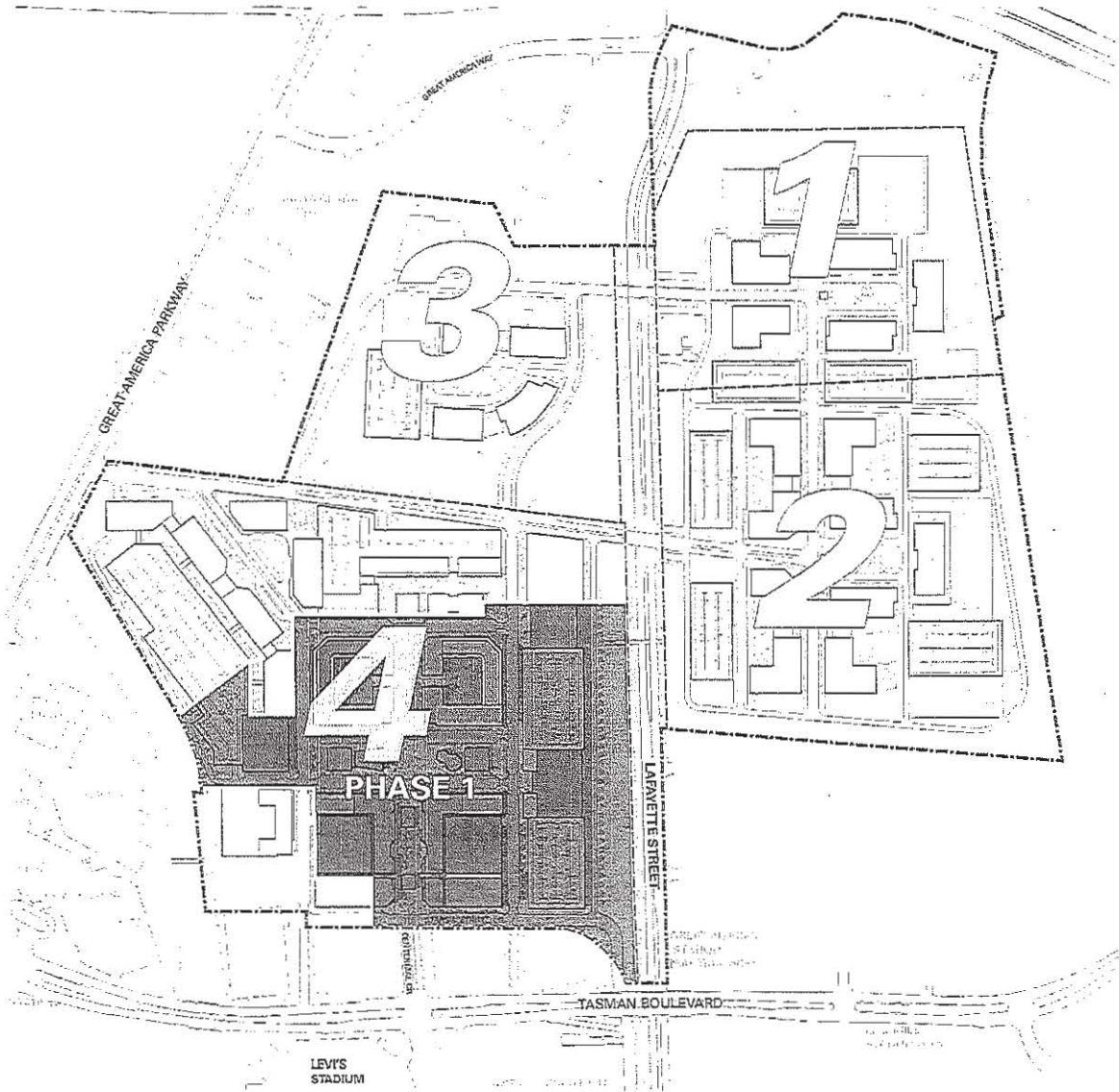
- A - Current Configuration and Intended Use of Parcels and Phases
- B - Take Down Timeframes
- C - Premium Cost Categories
- D - Examples of Calculation of Rent Adjustments
- E - Copy of City Resolution

Exhibit A to Supplement

Current Configuration and Intended Use of Parcels and Phases

(Attached)

Exhibit A: Phasing Strategy



PHASE 1-Parcel 4

Acreage (Estimated)	50
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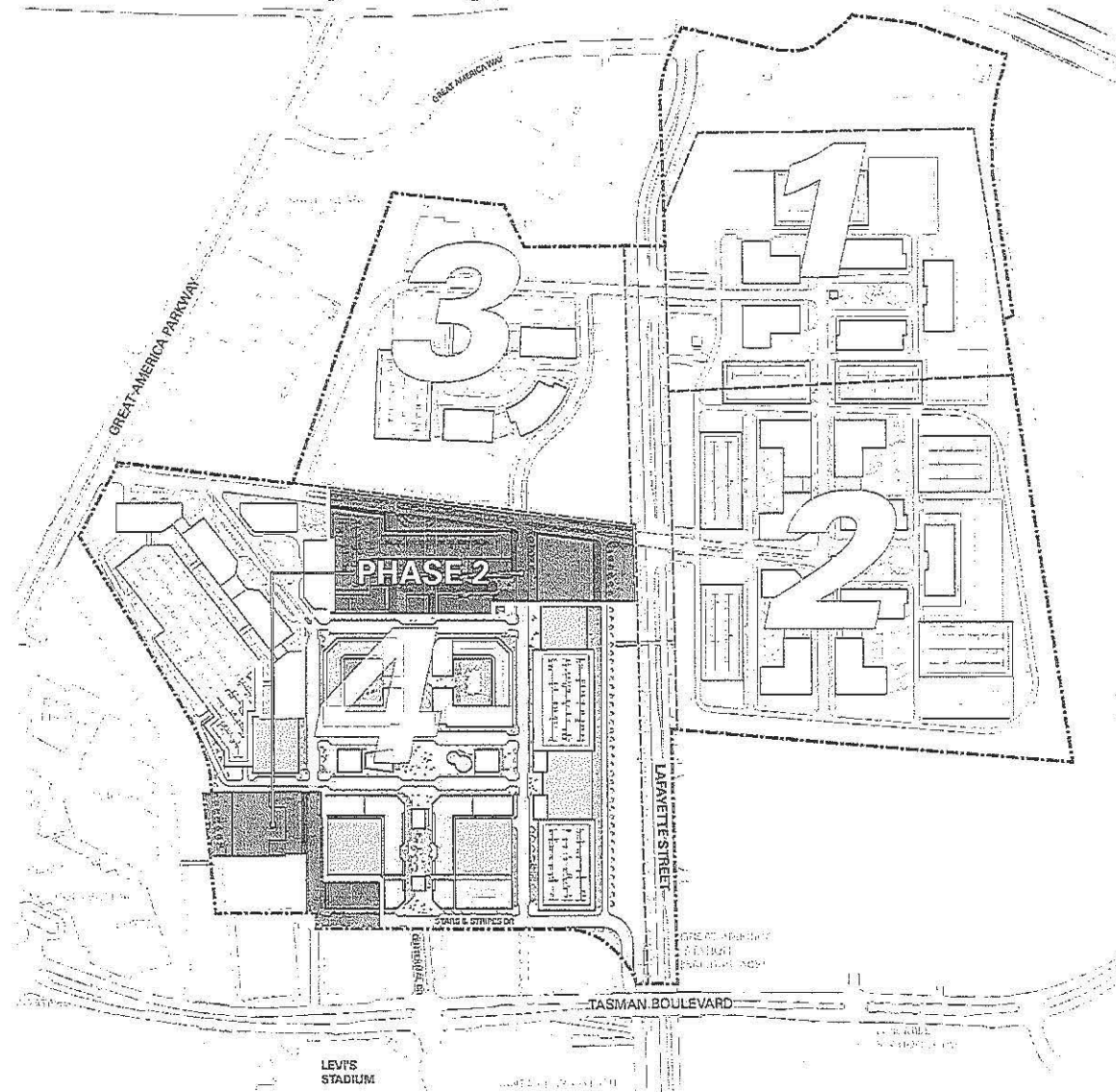
Phase 1 GSF Constructed:	
Anchor/Mini Anchor	450,000
Inline Retail/F+B	450,000
Cinema/Entertainment	100,000
Total Retail	1,000,000

Office	200,000
Hotel	300,000

Total Phase 1 GSF	1,500,000
% of Total	19%

Exhibit A: Phasing Strategy

2



■ PHASE 2-Parcel 4

Acreage (Estimated) 17

Phase 2 GSF Constructed:

Inline Retail/F+B	410,000
Cinema/Entertainment	50,000
Total Retail	460,000

Office	200,000
Serviced Apts/Residential Units	408,000

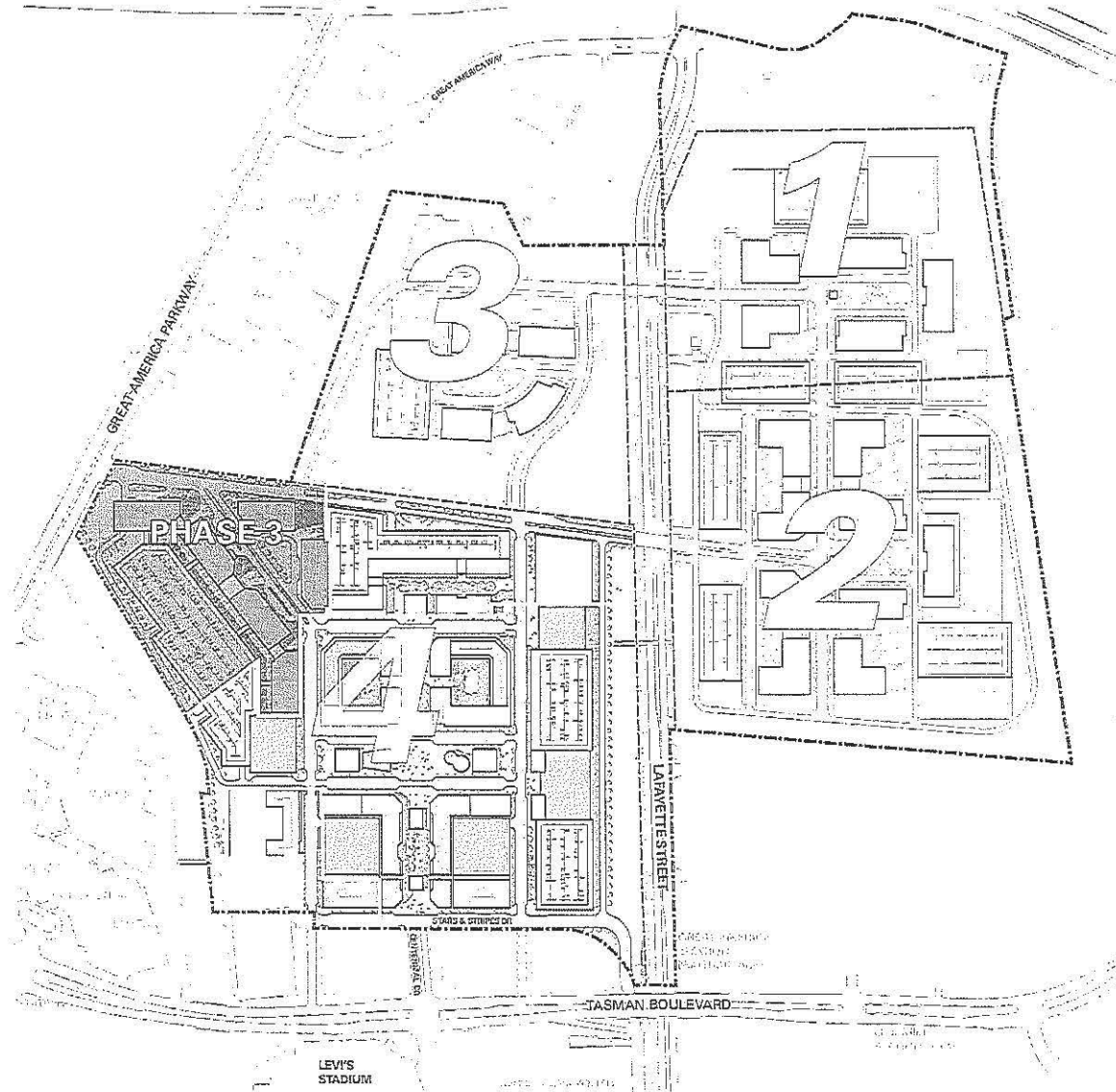
Total GSF	1,068,000
% of Total	13%

- ENA Site Boundary
- - - Development Parcels
- ▨ Excluded from Development Site
- ▩ Excluded from Development Site



Exhibit A: Phasing Strategy

3



■ PHASE 3-Parcel 4

Acreage (Estimated) 22

Phase 3 GSF Constructed:
Office 1,264,000

Total GSF 1,264,000
% of Total 16%

- ENA Site Boundary
- Development Parcels
- ▨ Excluded from Development Site

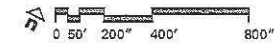
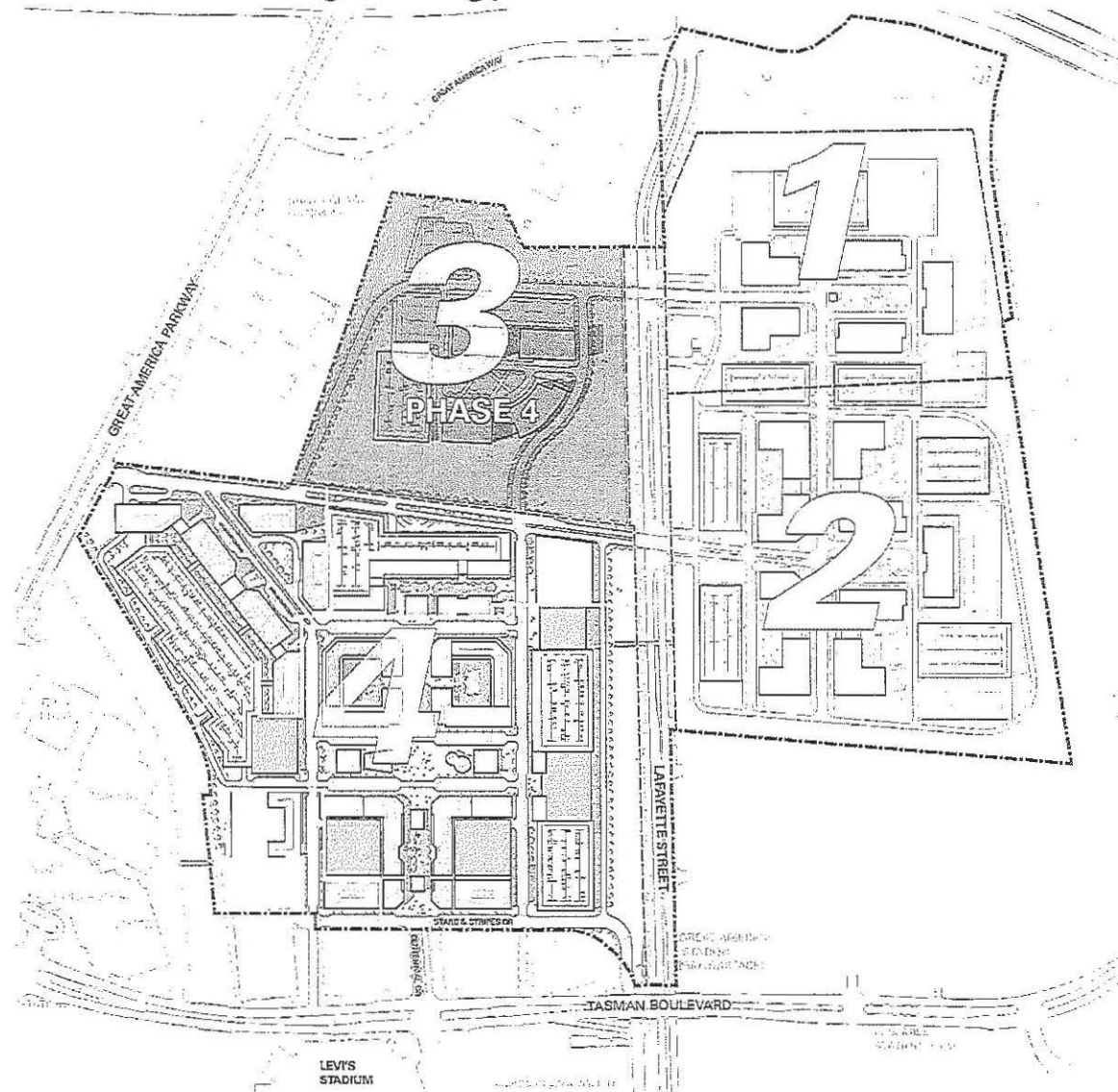


Exhibit A: Phasing Strategy

4



PHASE 4-Parcel 3

Acreage (Estimated) 35

Phase 4 GSF Constructed:
Office 720,000

Total GSF 720,000
% of Total 9%

- ENA Site Boundary
- Development Parcels
- /// Excluded from Development Site

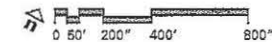
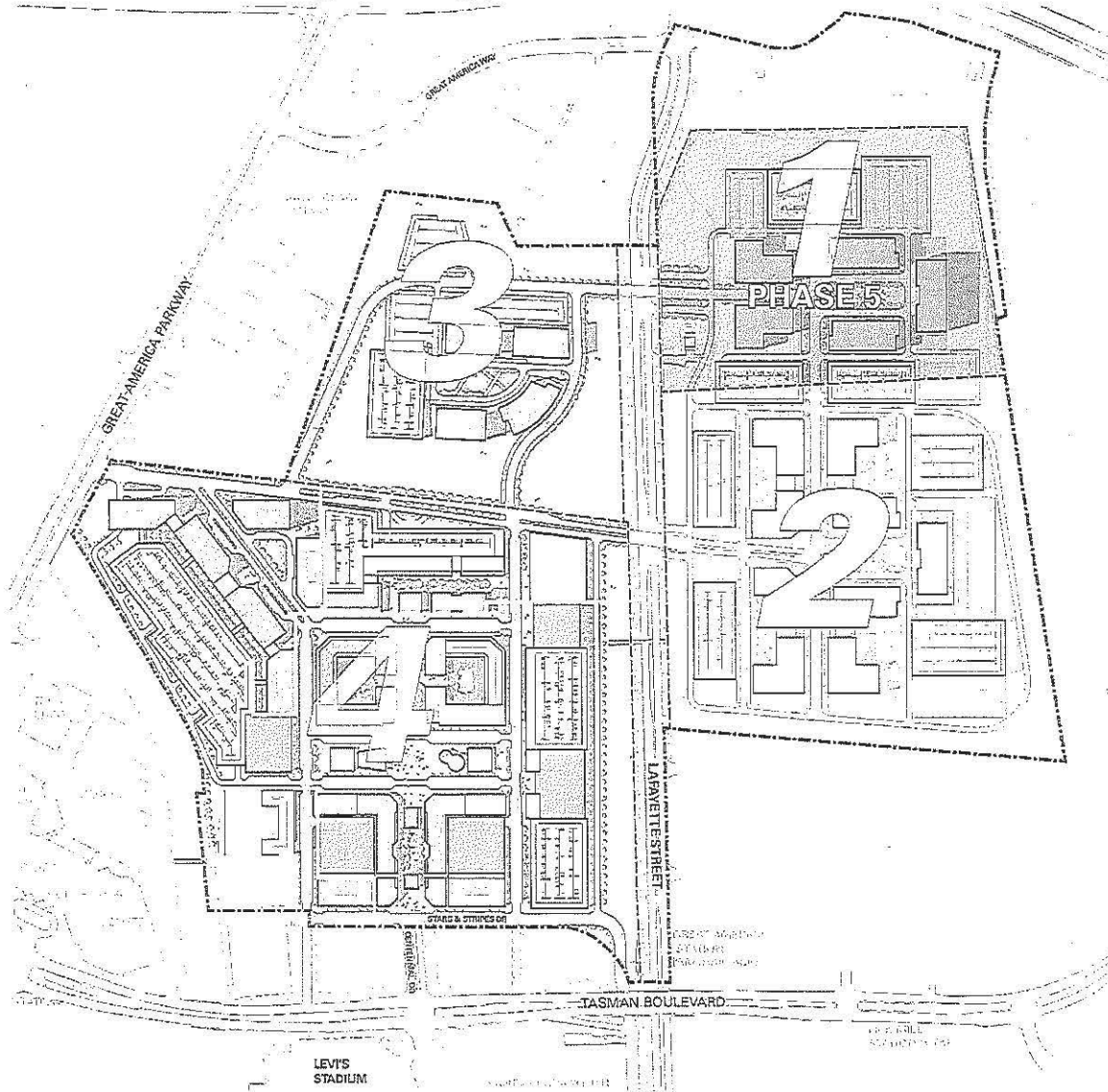


Exhibit A: Phasing Strategy

5



PHASE 5-Parcel 1

Acreage (Estimated) 36

Phase 5 GSF Constructed:

Office 1,200,000

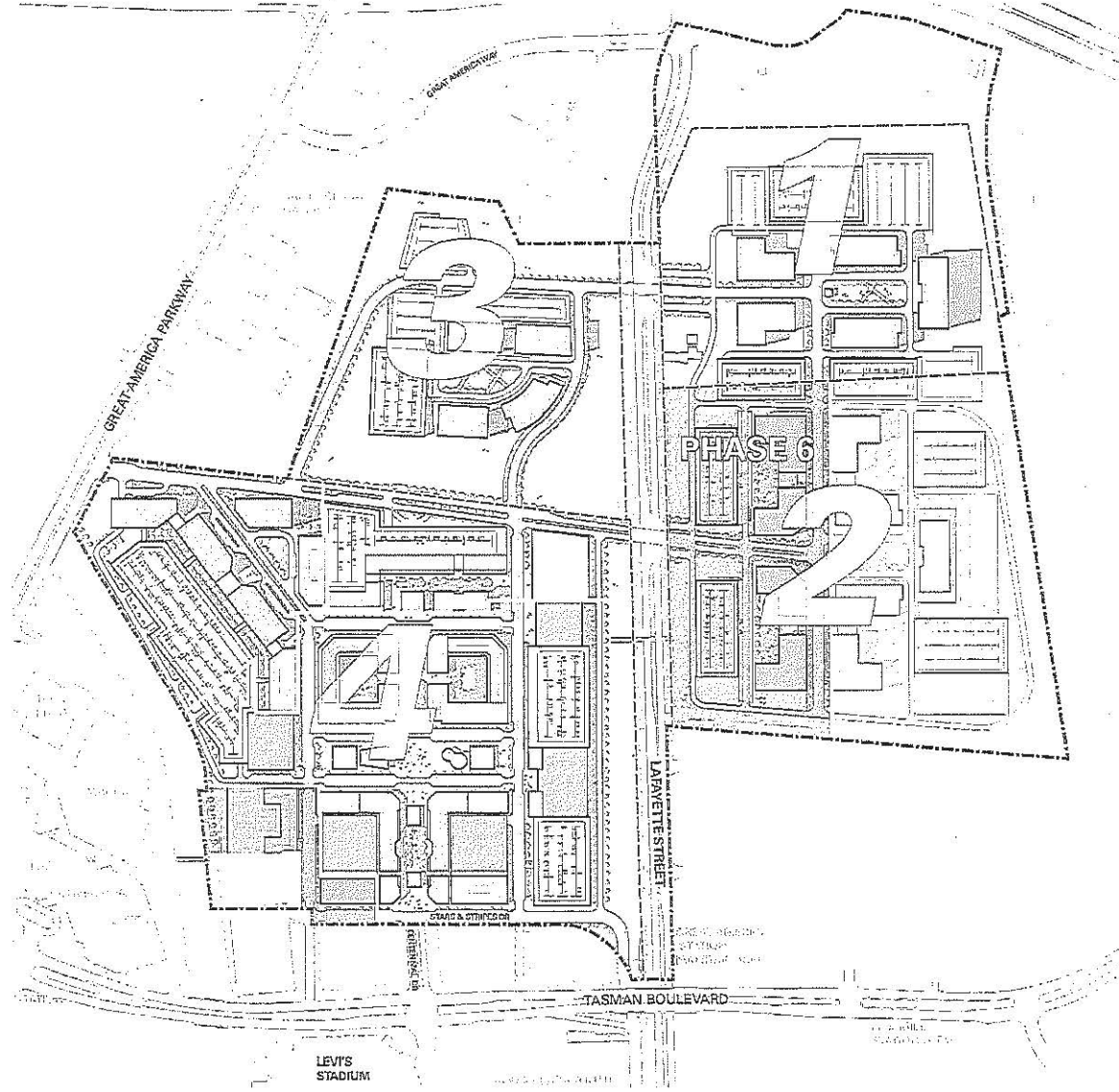
Total GSF 1,200,000

% of Total 45%

- ENA Site Boundary
- Development Parcels
- /// Excluded from Development Site



Exhibit A: Phasing Strategy



PHASE 6-Parcel 2

Acreage (Estimated) 27.5

Phase 6 GSF Constructed:
Office 1,080,000

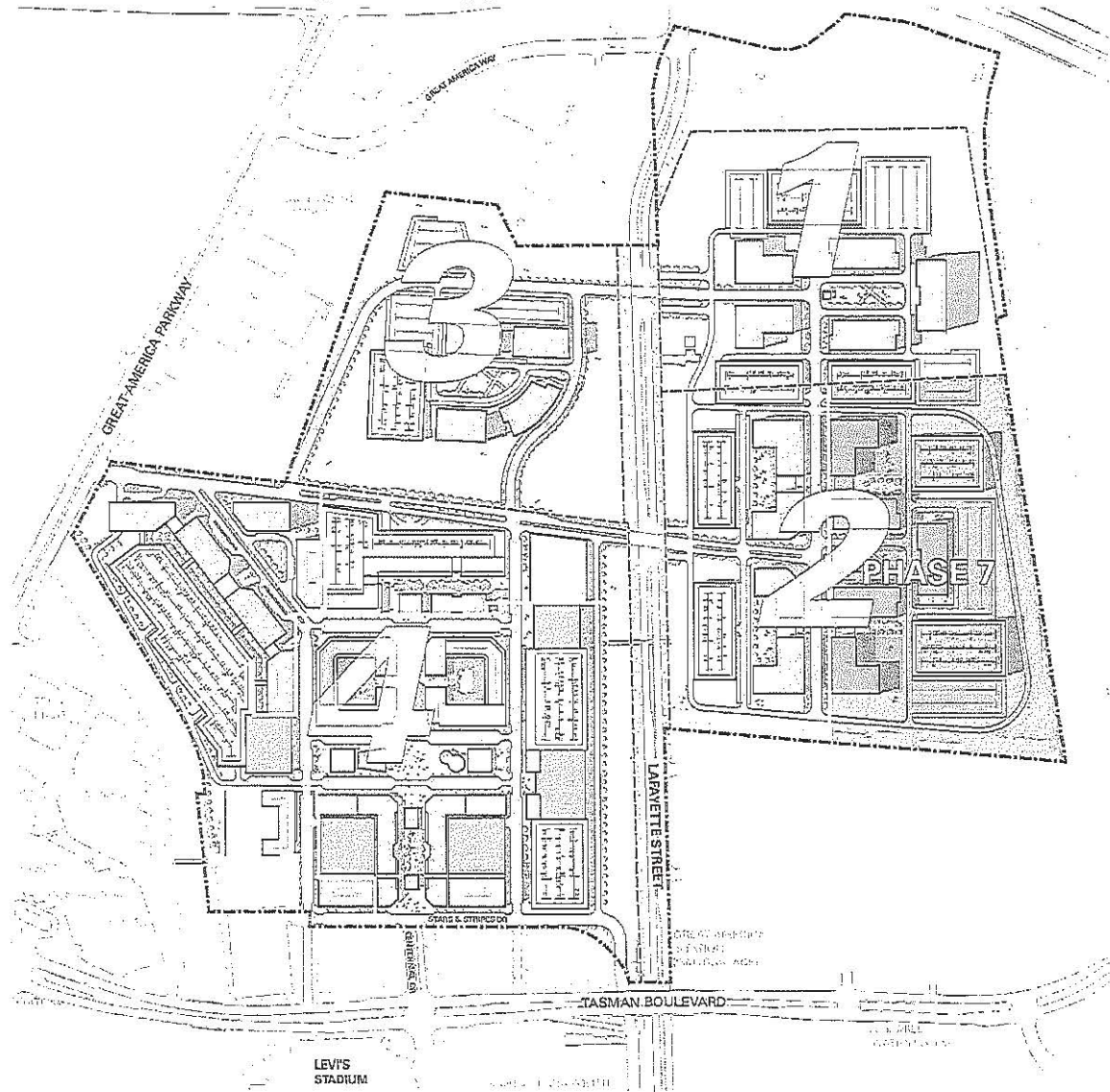
Total GSF	1,080,000
% of Total	14%

- ENA Site Boundary
- Development Parcels
- Excluded from Development Site



Exhibit A: Phasing Strategy

7



PHASE 7-Parcel 2

Acreage (Estimated) 27.5

Phase 7 GSF Constructed:
Office 1,080,000

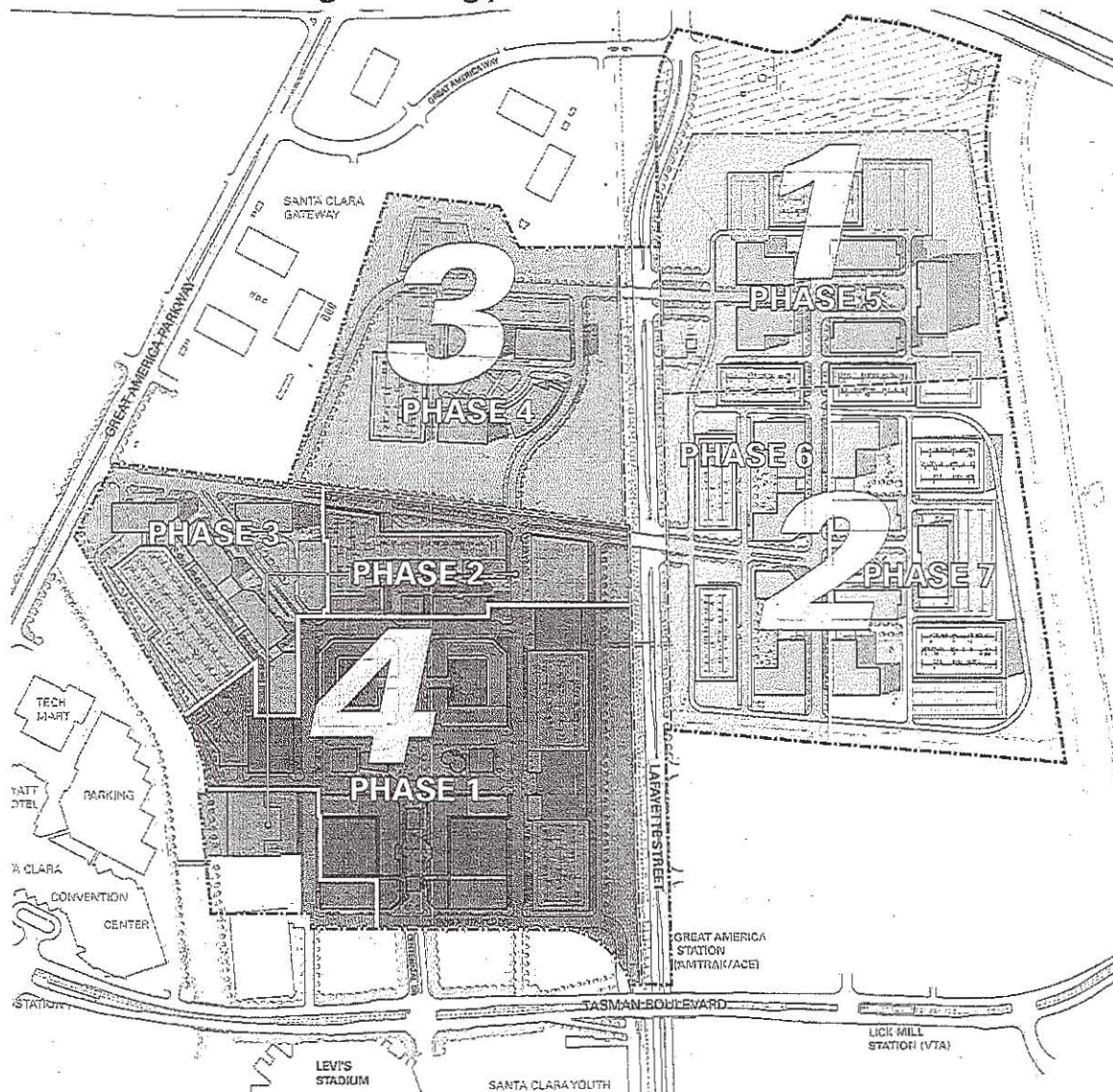
Total GSF	1,080,000
% of Total	44%

- ENA Site Boundary
- Development Parcels
- /// Excluded from Development Site



Exhibit A: Phasing Strategy

8



ALL PHASES

Acreage (Estimated) 215

Building GSF Constructed:

Parcel 4:	
Anchor/Mini Anchor	450,000
Inline Retail/F+B	860,000
Cinema/Entertainment	150,000
Total Retail	1,460,000
Office	1,664,000
Hotel	300,000
Serviced Apts/Residential Units	408,000
Total Parcel 4	3,832,000
Total Parcel 3 - Office	720,000
Total Parcel 2 - Office	2,160,000
Total Parcel 1 - Office	1,200,000

Total GSF	7,912,000
% of Total	100%

- ENA Site Boundary
- Development Parcels
- /// Excluded from Development Site



Exhibit B to Supplement

Take Down Timeframes

Phase	Required Take Down Date	Construction Start, subject to Force Majeure
1	December 2017 Subject to Force Majeure	Within 2 years after Take Down
2	4 years after Phase 1 Take Down	Within 1 year after Take Down
3	5 years after Phase 2 Take Down	Within 1 year after Take Down
4	3 years after Phase 3 Take Down	Within 2 years after Take Down
5	3 years after Phase 4 Take Down	Within 2 years after Take Down
6	2 years after Phase 5 Take Down	Within 2 years after Take Down
7	2 years after Phase 6 Take Down	Within 2 years after Take Down

EXHIBIT C
CITY PLACE SANTA CLARA
Preliminary Premium Cost Categories

PRELIMINARY ESTIMATE OF COSTS

Premium Off Site large development	\$109,900,000
Premium On Site large development	51,500,000
Landfill Premium	432,000,000
Premium engineering	6,000,000
Miscellaneous	<u>600,000</u>
	\$600,000,000

COST CATEGORIES

OFF SITE

1. Demolition
2. Site Prep/Grading
3. Paving
4. Incoming Power
5. Gas to property line
6. Water to property line
7. Communication infrastructure
8. Upgrade existing sanitary pump stations
9. Storm drain
10. Relocate existing utilities
11. Street light infrastructure
12. Additional traffic impact costs/fees
13. Contribution/costs associated with development site access (free and clear title issues)
14. Third party design and engineering costs for above items

ON SITE

1. Demolition
2. Mass excavation and grading
3. Perimeter roads
4. Main utility distribution
5. Traffic signals
6. Site retaining wall associated with larger grade changes
7. Third party design and engineering costs for above items

LANDFILL PREMIUM

1. Foundation Premiums
2. Methane gas monitoring and collection systems
3. Demolition and replacement of existing gas, leachate and ground water collection systems
4. Repair and establish clay cap
5. Parcel 4 settlement slab
6. Interstitial utility space under buildings
7. Perimeter building settlement walls
8. Utility premiums; settlement vaults, flex connections, special support structures, trench liners.
9. Special supports for site improvements
10. Additional base rock under asphalt paving
11. Refuse handling, relocation and disposal
12. Third party design and engineering costs including premium engineering for above items

Exhibit D to Supplement

Examples of Calculation of Rent Adjustments

Example of Lease Year 45 fair market value increase outlined in Section III (B)(2), subject to the minimum Rent increase provided for in Section III (B)(2)(a) and (b):

- (i) (fair market value of land [capped at \$200 per Allowable Square Footage]) LESS
(Premium Costs) = (adjusted land value)
- (ii) (adjusted land value) X (6.5% lease rate) = Ground Rent

Example of Lease Year 70 fair market value increase outlined in Section III(B)(3), subject to the minimum Rent increase provided for in Section III (B)(3)(a):

- (i) (fair market value of land [capped at \$350 per Allowable Square Footage]) LESS
(Premium Costs) = (adjusted land value)
- (ii) (adjusted land value) X (6.5% lease rate) = Ground Rent

Exhibit E to Supplement

City Resolution

(attached)

RESOLUTION NO. 14-8157

**A RESOLUTION OF THE CITY OF SANTA CLARA,
CALIFORNIA, APPROVING A NON-BINDING TERM
SHEET SUPPLEMENTAL AND AMENDMENT NO. 1 TO
EXCLUSIVE NEGOTIATING AGREEMENT WITH
RELATED SANTA CLARA LLC FOR PROPOSED MIXED
USE DEVELOPMENT**

BE IT RESOLVED BY THE CITY OF SANTA CLARA AS FOLLOWS:

WHEREAS, the City owns approximately 230 acres of land (APNs 097-01-039, 097-01-073, 104-03-036, 104-03-037 and 104-01-102) in the North of Bayshore Area (collectively, the "Property");

WHEREAS, Related Santa Clara LLC ("Related"), an experienced full-service real estate firm, has proposed to construct a mixed use project on the Property (the "Project"). The City and Related (collectively, the "Parties") believe that the Project would be highly beneficial to City inasmuch as, when completed, it would create a new "city center" containing some or all of the following elements, among others: significant retail facilities, office buildings, rental and for sale residential facilities, hotel rooms that would support City's convention center, new parks and open space, and new roads and infrastructure;

WHEREAS, a large portion of the Property consists of a former landfill site (the "Landfill"). The Project would serve to convert the space over the Landfill to productive use, cause the modernizing of the recovery systems operated by City at the Landfill, and create a significant new tax base for City;

WHEREAS, in April 2013, City and Related entered Exclusive Negotiating Rights Agreement (the "ENA") for the development of the Property with a ENA term of 18 months with an additional two six-month extensions, for a total 30-month term;

WHEREAS, the development of the Project presents many potential opportunities for City, including: maximizing the production of housing and commercial space to the greatest extent possible to create a new and vibrant City neighborhood; providing new parks, public open spaces and other community benefits; and increasing City revenues;

WHEREAS, in February, 2014, the City and Related Santa Clara LLC executed a Non-Binding Term Sheet (the "Term Sheet") to memorialize the key policy goals, basic development guidelines, financial framework, and other preliminary terms and conditions identified by the Parties that would form the basis for the negotiation and completion of necessary transaction documents for the conveyance, management, and development of the Property (collectively referred to as the "Transaction Documents");

WHEREAS, the Term Sheet sets forth an understanding between the Parties to cooperate in the development, processing and completion of appropriate environmental review pursuant to the California Environmental Quality Act ("CEQA") by the designated Lead Agency;

WHEREAS, the Term Sheet sets forth some of the terms and conditions related to the development of the Project so that the Lead Agency can commence development, processing and completion of the appropriate CEQA documentation and preparation of land use plans and potential entitlements documents;

WHEREAS, the Term Sheet contemplated that during a limited period following the execution of the Term Sheet the Parties would negotiate and agree upon a framework and rent structure for the calculation of Ground Rent including a Minimum Payment and a phasing and payment schedule for long term Ground Rent payments to be included in the form of Ground Lease ("Term Sheet Supplement");

WHEREAS, the Term Sheet and Term Sheet Supplement (collectively "Term Sheets") are intended to provide a general framework for the subsequent negotiation of the Transaction Documents for consideration by the City Council, and are not intended to create any binding contractual obligations to any party thereto or to commit any party to a particular course of action;

WHEREAS, the terms set forth in the Term Sheets are the Parties' preliminary concepts that are projected to be further developed and detailed in the Transaction Documents, but they are not intended, nor should they be considered as, binding on the Parties;

WHEREAS, the time period necessary to prepare the appropriate CEQA documentation and the Transaction Documents for City Council consideration may extend beyond the 30-month ENA term;

WHEREAS, the Parties reserve their complete and sole discretion to evaluate and determine project impacts, alternatives and mitigation measures including, but not limited to, the ability to choose the "No Project" alternative under CEQA; and,

WHEREAS, by entering into the Term Sheets, the Parties do not intend to make an irretrievable commitment of resources or to commit to any course of action prior to completion of all appropriate environmental review.

NOW THEREFORE, BE IT FURTHER RESOLVED BY THE CITY OF SANTA CLARA AS FOLLOWS:

1. **Recitals.** The City Council hereby finds that the above Recitals are true and correct and by this reference makes them a part hereof.
2. **Approval of Term Sheet Supplement.** The City Council hereby approves the Non-Binding Term Sheet Supplement with Related Santa Clara LLC and authorizes the City Manager

to enter into and execute the Term Sheet Supplement Agreement, substantially in the form on file with the City Clerk of the City of Santa Clara, with such revisions as are reasonably determined necessary by the City signatory, such determination to be conclusively deemed to have been made by the execution of such agreement by the City signatory. The City Manager is authorized to implement the Non-Binding Term Sheets and take all further actions and execute all other documents which are necessary or appropriate to carry out the Non-Binding Term Sheets.

3. **Approval of Amendment No. 1 to ENA.** The City Council hereby approves the Amendment No. 1 to ENA with Related Santa Clara LLC, which extends the initial term of such agreement to March 15, 2016, and authorizes the City Manager to enter into and execute Amendment No. 1, substantially in the form on file with the City Clerk of the City of Santa Clara, with such revisions as are reasonably determined necessary by the City signatory, such determination to be conclusively deemed to have been made by the execution of such agreement by the City signatory. The City Manager is authorized to implement the Amendment No. 1 to ENA and take all further actions and execute all other documents which are necessary or appropriate to carry out the Amendment No. 1.

4. **Constitutionality, severability.** If any section, subsection, sentence, clause, phrase, or word of this resolution is for any reason held by a court of competent jurisdiction to be unconstitutional or invalid for any reason, such decision shall not affect the validity of the remaining portions of the resolution. The City of Santa Clara, California, hereby declares that it would have passed this resolution and each section, subsection, sentence, clause, phrase, and word thereof, irrespective of the fact that any one or more section(s), subsection(s), sentence(s), clause(s), phrase(s), or word(s) be declared invalid.

5. **Effective date.** This Resolution shall become effective immediately.

I HEREBY CERTIFY THE FOREGOING TO BE A TRUE COPY OF A RESOLUTION PASSED AND ADOPTED BY THE CITY OF SANTA CLARA, CALIFORNIA, AT A REGULAR MEETING THEREOF HELD ON THE 1ST DAY OF JULY, 2014, BY THE FOLLOWING VOTE:

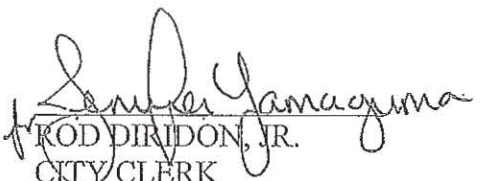
AYES:	COUNCILORS:	Davis, Gillmor, Kolstad, Mahan, Marsalli and O'Neill and Mayor Matthews
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NOES:	COUNCILORS:	None
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ABSENT:	COUNCILORS:	None
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ABSTAINED:	COUNCILORS:	None
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ATTEST:


ROD DIRIDON, JR.
CITY CLERK
CITY OF SANTA CLARA

Attachments incorporated by reference: None.